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A. Introduction.

1. A total of 392 enterprises were covered [REDACTED] for the first half of 1954; they were categorized as follows:

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a. Industrial plants:

Type of Industry	Main Administration	Number of Plants	Total No.
Power	Electric Power	75	85
	Gas	10	
Coal	Lignite	61	69
	Pit Coal	8	
Metallurgy	Steel Industry	35	
	Nonferrous Metals Industry	18	
	Enterprises Producing Auxiliary Material for the Metallurgical Industry	14	67
Chemistry	General Chemistry	36	153
	Artificial Fiber	36	
	Heavy Chemistry	39	
	Liquid Fuels	18	
	Potash and Nonmetalliferous Mining	24	
Geological Commission			
	Total No. in Industry		<u>3</u> 377

b. Construction Plants:

Projektierungs-, Konstruktions- und Montagebuero, Kohleverarbeitung, Leipzig C 1.
Projektierungs und Konstruktionsbuero Kohle, Berlin-Weissensee.
Konstruktions- und Ingenieurbuero, Leipzig C 1.
Energieprojektierung, Berlin W 8.
Zentraler Konstruktionsbuero der metallurgischen Industrie, Berlin C 2

TOTAL 382

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c. Trade agencies:

DHZ Metallurgie
 DHZ Kohle
 DHZ Chemie
 DHZ Haushaltchemie
 DHZ Gummi, Asbest und Kunststoffe
 DHZ Kraftstoffe und Mineraloel
 VHZ Schrott
 VNL Salze, Flusse-und Schwerspat
 VEE Industrie-Rueckstaende
 VEB Kraftstoff-Vertrieb

Total number of units rendering independent accountings: 392

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2.

The plan figures result from the combined plans of the individual plants. The plan figures approved by the Presidium of the Council of Ministers at its meeting on 20 May 1954 are the basis of the plant plans.

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3. The plan figures of the new financial plan were not entered in the Kontroll reports of the plants because the financial plan of the Ministry for Heavy Industry was not approved by the Presidium of the Council of Ministers until 15 July 1954, being delayed while account was being taken of the effect of the new economic tasks.

4. According to a decision of the Council of Ministers of 8 July 1954, the East German ministries were required to approve the new financial plan for the plants by 31 July 1954. The approval was given by the specified date, but by the time the deadline date had arrived, the Kontroll reports of all the plants had been submitted, and consequently it was not possible to include the new financial plan figures in the accounting for the first half year.

B. Warenproduktion (production for sale) fulfillment.

5. Nationalized Industrial Plants (VEB's).

- a. Planned Warenproduktion in 1954 at the planned sales prices amounted to 8,147,711 thousand DEM.
- b. Fulfillment as of 30 June 1954 amounted to 3,959,643 thousand DEM.
- c. Accordingly, plan fulfillment amounted to 48.6 percent of the plan.
- d. Fulfillment in the various Main Administrations of the Ministry for Heavy Industry was as follows:

Lignite	48.8 percent
Pit coal	51.5 percent
Electric power	47.2 percent
Gas	47.1 percent
Steel industry	46.4 percent
Nonferrous metals	55.4 percent
Metallurgical industry	
auxiliary plants	44.6 percent
Heavy chemistry	47.9 percent

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Liquid fuel	49.2 percent
Synthetics	49.6 percent
General chemistry	49.3 percent
Potash and non-metallic nonmetalliferous mining	48.9 percent
Geological Commission	46.4 percent

6. Former SAG plants.

- a. Planned Warenproduktion for 1954 at the planned sales prices amounted to 2,651,195 thousand DME.
- b. Fulfillment as of 30 June 1954 amounted to 1,326,805 DME.
- c. Accordingly, plan fulfillment amounted to 50 percent of the plan.
- d. Fulfillment in the various Main Administrations of the Ministry for Heavy Industry was as follows:

Steel industry	49.3 percent
Nonferrous metals	47.8 percent
Heavy chemistry	51.3 percent
Liquid fuels	48.4 percent
Synthetics	50.0 percent

Thus the Warenproduktion fulfillment at planned sales prices for the industrial plants coming under the Ministry for Heavy Industry, including former SAG plants, amounted to 48.9 percent.

7. Trade agencies.

- a. According to the plan, the turnover at sales prices should have amounted to 4,895,578 thousand DME.
 - b. As of 30 June 1954, the actual turnover amounted to 2,424,145.2 thousand DME.
 - c. Thus, plan fulfillment was 49.5 percent.
- C. Fulfillment of the plan in terms of the end-result (Erfuellung des Ergebnisplanes).

8. Balancing of the plan figures.a. Profits:

Gross profits (Bruttogewinn) of nationalized industry in terms of end-results: 1,208,810 thousand DME

Gross profits of former SAG plants: 548,602 thousand DME

Gross profits of trade agencies in terms of end-results: 120,729.2 thousand DME

Sub-total 1,878,141.2 thousand DME

Insufficient quotas (zu geringe Beauftragung):

Trade agencies: Increase in profit based on the decision of 15 July 1954:

360 thousand DME

Industry: Increase in profit based on the decision of 15 July 1954:

48,662.4 thousand DME

Total, Gross Profit:

1,927,163.6 thousand DME

Industry: Corporation tax

1,119,774.3 thousand DME

Net profit

619,235.2 thousand DME

Deduction from profits for the Director Fund

67,064.9 thousand DME

Sub-total

1,806,074.4 thousand DME

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Trade agencies: Corporation tax	76,326.2 thousand DME
Net profit payment (Nettogewinnabfuhrung)	41,096 thousand DME
Deduction from profits for the Director Fund)	3,667 thousand DME
Total, Gross Profit, as above	1,927,163.6 thousand DME

b. Supports (Stuetzungen).

Industry: Loss in terms of the end-result accounting	995,907.8 TDM
Supports from the Director Fund	44,193.2 TDM
Sub-total	1,040,101 TDM
Trade agencies: Planned support for losses	28,305.7 TDM
Planned supports from the Director Fund	1,621.2 TDM
Supports of the freight adjustments (Frachtausgleich)	32,100 TDM
Supports for scrap bonuses	8,250 TDM
Sub-total	1,110,377.9 TDM
Industry: Supports not yet distributed	1,298.3 TDM
Trade agencies: Blocked supports	724.7 TDM
Total supports claimed	1,112,400.9 TDM

Industry: Supports according to the modified
State Budget Plan (Staats-
haushaltsplan) of 12 July 1954 1,040,120 TDM

Geological Commission: Supports according to
the modified State Budget
Plan of 29 June 1954 1,279.1 TDM

Trade agencies: Supports according to memorandum
of the Ministry of Finance of 25 June
1954 71,001.8 TDM

Total supports claimed, as above 1,112,400.9 TDM

D. Fulfillment of the Profit Plan. (Gewinnplan)

9. Nationalized Industrial Plants (VEP's).

- a. Gross profit in accordance with the approved
plant plans amounted to: 1,208,810 TDM
- b. Profit up to 30 June 1954 amounted to: 518,811.2 TDM
- c. Thus, fulfillment amounted to 42.9 percent.
- d. Among the Main Administrations of the Ministry for Heavy Industry,
the fulfillment was as follows:

Lignite	34.1 percent
Electric power	32.4 percent
Gas	65.0 percent
Steel industry	45.8 percent
Nonferrous metal	42.9 percent

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Metallurgical industry	42.1 percent
auxiliary plants	
Heavy chemistry	45.0 percent
Liquid fuel	42.8 percent
Synthetics	46.0 percent
General chemistry	49.8 percent
Potash and nonmetalliferous	48.6 percent
mining	
Construction plants	40.5 percent
Geological Commission	57.5 percent

10. Former SAG plants.

- Planned gross profit in accordance with the approved plant plans amounted to 548,602 TDM.
- As of 30 June 1954, fulfillment amounted to 272,789.3 TDM.
- Thus, fulfillment amounts to 49.7 percent.
- Fulfillment in the Main Administrations of the Ministry for Heavy Industry was as follows:

Steel industry	56.1 percent
Nonferrous metals	55.7 percent
Heavy chemistry	52.2 percent
Liquid fuel	41.4 percent
Synthetics	49.8 percent

11. Trade agencies.

- Gross profit according to the combined plant plans amounted to 120,729.2 TDM.
- Profit as of 30 June 1954 amounted to 59,373.5 TDM.
- Thus, fulfillment amounted to 49.2 percent.

12. Comprehensive accounting.

The profit plan of the Ministry for Heavy Industry was set up for the amount of 1,878,141.2 TDM, and the fulfillment of the plan as of 30 June 1954 thus amounted to 850,974 TDM, or 45.3 percent. Taking the plan figures approved by the Council of Ministers on 15 July 1954 as a basis, the fulfillment of the profit plan for the first half year was 44.3 percent.

13. Enterprises under the following Main Administrations were unsatisfactory in their fulfillment of the profit plan:

M.A. Lignite
 M.A. Electric power
 M.A. Nonferrous metals
 M.A. Auxiliary plants of the metallurgical industry
 M.A. Liquid fuel - SAG

The unsatisfactory profit plan fulfillment in M.A. Lignite is mainly to be attributed to the increased expenses which arose during the frost period, when the profit-making enterprises had to lay out approximately 3,320,000 TDM. Over and above this, the nonfulfillment resulted from the following:

- BKW Grosskayna did not fulfill its production quota; it was fulfilled by only 94.5%. It was also hindered by a shortage of E-locomotives and by the fact that E-locomotives were tied up in the traffic of the individual mines.

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- b. BKW Franz Mehring did not fulfill its plan because of the failure of the conveyor bridge and difficulties with the furnace gas drier. Also, delayed investments and the moving of large equipment contributed to the nonfulfillment of the production plan.
 - c. BKW Glueckauf did not fulfill the plan, chiefly because building phase IV (Baustufe IV) of the briquette factory was not finished on time. Furthermore, the fact that not enough rough coal (Foederkohle) was sold contributed to the nonfulfillment of the profit plan, as did the fact that the plants of the Senftenberg area did not require so much coal.
 - d. Nonfulfillment of the plan by BKW's Thruena, Grosszoesen and Pfaennershall was to be made up by the end of 1954.
14. Unsatisfactory plan fulfillment in the Main Administration of Electric Power is to be attributed to the failure to carry out the power program, to damage from the bad weather and to the unplanned extension of nonoperative periods (Stillstaende). These unexpected difficulties resulted in the lagging of actual proceeds behind those planned. Thus, production for sale at actual selling prices was only fulfilled as follows:
- 40.3 percent at ZW Peenemuende
 - 36.0 percent at ZW Esslotalssperren (?)
 - 25.0 percent at ZW Grosskayna
 - 41.0 percent at ZW Karl Liebknecht
 - 38.0 percent at ZW Magdeburg
 - 40.8 percent at ZW Dresden
 - 33.2 percent at ZW Plessa
- Further contributions to the poor results obtained were occasioned by the following:
- a. There was a considerable reduction in use of industrial capacity (Leistungsanspruchnahme) by industrial customers and this had an effect on the price (Leistungspreis).
 - b. There was a lowering of the average proceeds derived from sales to non-industry customers compared with those of 1953 which had been the basis for the 1954 plan.
15. The failure to obtain the planned profit in the Main Administration of Nonferrous Metals is to be attributed to the following:
- a. In the Rackwitz Metal Plant (Leichtmetallwerk Rackwitz), insufficient raw material was provided to the plant and the wire plant did not receive enough orders.
 - b. In the Berliner Metallhuetten- und Halbzeugwerke, the quotas for individual products (Einzelproduktion) were not fulfilled, there were difficulties in the production of Babbitt bearings, and not enough raw material was delivered.
16. In the Main Administration of Auxiliary Enterprises of the Metallurgical Industry, failure to fulfill the profit plan was due to the loss at Magnesitwerk Aken. This plant was to make a profit of 764 TDM, but up until 30 June 1954 it showed a loss of 1,220.1 TDM instead. This loss could not be made up by overfulfillment in the other plants under the profit plan. The causes of the loss at that plant were as follows:
- a. A delay in getting the brick factory (Steinfabrik) into operation, resulting in a loss in production of about 5,600 metric tons of magnesite bricks (Magnesitsteine). The loss in profit amounted to

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633,000 TDM.

- b. Frequent failures of the rotating-table press in the brick factory.
- c. Technical difficulties in the adaptation (Umstellung) of the Hydrozyklon process of the wet process (Nassaufbereitung). As of August 1954, the difficulties were in the cement-like setting of the burning off of magnesia roasting residue (Magnesia-Abbrand).
- d. The loss which showed at the end of the half year 1. to be reduced by the start of operations in the brick factory. A further measure to reduce the unplanned losses is to be the shift to the production of chrome-magnesite bricks.

17. Results in the plants showing a loss.

- a. VER's. The total loss with respect to the approved plant plan amounted to 995,907.8 TDM; support of the director fund (Direktorfonds) amounted to 44,193.2 TDM, giving a total loss of 1,040,101 TDM. Total loss which had arisen up to 30 June 1954, including the director fund, amounted to 547,897.4 TDM, or 54.9% of the planned loss for 1954. Divided among the Main Administrations of the Ministry for Heavy Industry, the losses were as follows:2/

M.A. Lignite	61.0%
M.A. Pit coal	46.5%
M.A. Electric Power	69.6%
M.A. Gas	56.7%
M.A. Steel Industry	51.8%
M.A. Nonferrous Metals	50.0%
M.A. Auxiliary Plants of the Steel Industry	167.6%
M.A. Heavy Chemistry	44.3%
M.A. <u>Synthetic</u>	35.5%
M.A. General Chemistry	51.5%
M.A. Potash and Nonmetalliferous Mining	48.8%
Geological Commission	60.3%

- b. Former SAC Plants. No plants in this category had a planned loss. Losses occurred in the plants which had planned profits, as follows:

Stahlwerke Silbitz	498,000 TDM
Stahlgiesserei Karl-Marx-Stadt	323,000 TDM

- c. Trade agencies. Supports available to the trade agencies according to plan amounted to 71,001.8 TDM. Up to 30 June 1954, these supports were claimed (in Anspruch genommen) in the amount of 33,881 TDM, or 48.2%.

- 18. Comprehensive accounting. Supports made available to the Ministry for Heavy Industry for 1954 amounted to 1,112,400.9 TDM. Up to 30 June 1954, 581,768.4 TDM of this amount had been claimed, or 52.3%.

- 19. There were unplanned losses in plants of the following Main Administrations:

M.A. Lignite
M.A. Electric Power
M.A. Steel Industry
M.A. Auxiliary Plants of the Steel Industry

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Unplanned losses in the Main Administration of Lignite were due to frost damage, and amounted to about 8,000 TDM. Further unplanned losses were as follows:

- a. BKW Phoenix, due to heavy damage to Absetzer 911 and the failure to rebuild steam shovel (Bagger) 513 by the completion date which had been set. Overcoming these losses was hindered by the long, heavy rains and the flood disaster.
 - b. BKW Edderitz, due to the delay in converting (Umsetzung) a bucket dredge (Loeffelbagger), difficulties with dumping (Innenkippen-verhaeltnisse) and numerous cave-ins. Losses amounted to 482.3 TDM, but were to be made up by the end of 1954.
 - c. BKW Voelpke had a loss of 340.1 TDM due to mining underfulfillment.
 - d. BKW Sedlitz had a loss of 1,737.6 TDM due to unforeseen geological conditions which caused reduced production in the Sedlitz open-pit mining; the open-pit mining was to be closed down sooner than expected. There was also difficulty in disposing of the coal because it was useable only to a limited extent.
 - e. BKW John Schehr had a loss of 1,923.5 TDM, including an underfulfillment in raw coal (Rohkohle) in the amount of 547,417 metric tons and in briquettes in the amount of 154,568 metric tons. Underfulfillment was due to delay in putting new machinery into operation in pits and briquette factories. Also, extra expense was incurred through extending the rail lines in the Skado open-pit mine instead of putting a new conveyor bridge (Foerderbruecke) into operation.
 - f. The unplanned losses in M.A. Steel Industry occurred only in Eisenhuettenkombinat J.W. Stalin and Eisenwerke West, Calbe. The loss at Calbe can be made up during the second half year, but that at the Kombinat can not.
- (1) The loss at EKS was due to a deviation from the Moeller Plan. Costs were exceeded in coke by 29.62 DME per metric ton of crude iron, i.e. 50% of the unplanned loss was due to excessive use of coke. The excessive use of coke was due to its bad quality.
 - (2) Other causes of the loss were the delay in putting Furnace #II into operation when it came out of general repair and the failure to start production in Furnace #VI; operation of Furnace #VI was supposed to start on 1 April 1954, but it did not begin until 3 August 1954. The bad quality of the agglomerates and the insufficient deliveries of manganese ore likewise contributed to the increase of unplanned losses.
- g. Unplanned losses in the Auxiliary Plants of the Steel Industry amounted to about 2,000 TDM; they were due to underfulfillment in the plants with planned losses, as follows:

Tonwerke Brandis; only 33.0% of the 1954 plan was produced.
Schamottewerk Netra; only 43.2% of the 1954 plan was produced.

Also, the Magnesitwerk Aken which had a profit plan, closed its books on 30 June 1954 with a loss of 1,220.1 TDM. The reasons for this were given above (Paragraph 16).

E. Development of the rate of productiveness (Rentabilitaet-Satz).

20. The yield, based on turnover, was as follows in the various Main Administrations: 3

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	1953	1st half 1954
Lignite	- 1.83	- 0.2
Pit coal	- 56.2	- 72.2
Electric power	/ 9.8	/ 7.6
Gas	-	- 8.1
Steel Industry VEB's	- 45.3	- 48.7
SAG's	/ 6.7	/ 6.26
Nonferrous Metals VEB's	- 31.8	- 34.5
SAG's	/ 16.1	/ 14.15
Auxiliary Plants of the Metallurgical Industry	-	- 5.0
Heavy Chemistry VEB's	/ 15.4	/ 14.6
SAG's	/ 18.6	/ 21.6
Liquid Fuels VEB's	/ 22.9	/ 20.0
SAG's	/ 23.3	/ 17.7
General Chemistry	/ 23.5	/ 25.3
Synthetics VEB's	/ 23.3	/ 22.5
SAG's	/ 26.7	/ 29.3
Potash and Metalliferous Mining	/ 10.2	/ 8.7
State Geological Commission	/ 10.8	- 0.8
Construction Plants	-	/ 3.9
	VEB's	/ 3.5
	SAG's	/ 20.0
Total for the entire Ministry	/ 7.6	/ 4.84

21. The decrease in the rate of **yield** was due to the following:

- M.A. Lignite; expenses resulting from the freezing period in January and February 1954, which amounted to 11,320 TDM. Deterioration of geological conditions and increased production in plants which have a high overhead (*Kostenunguenstig*); supplementary wages.
- M.A. Pit Coal; considerable deterioration of geological conditions, which increased expenses in 1954 by about 10% as compared with 1953.
- M.A. Electric Power; increased use of current from areas using Western currency. A decrease in proceeds (*Erloes*), stoppages (*Stillstaende*) of operations, interruptions (*Stoerungen*) and weather damages (*Lawarien*).
- M.A. Steel Industry; increase in production of products whose production costs are not sufficiently covered (*Kostenunterdeckung*). There was also a greater use of raw material because of bad quality, as in the case of coke in the production of pig iron.
- M.A. Nonferrous Metals; increase of production of products with high production expenses; failure to make use of productive capacity because of failures in raw material (*Vormaterial*) deliveries; failure to make use of productive capacity because of failures in raw material (*Vormaterial*) deliveries; turnover tax (*Umsatzsteuer*) in Bergbau-Kombinat Wilhelm Pieck, which was not levied before the Kombinat was reorganized (*Umbildung*).
- M.A. Liquid Fuels (former SAG's); the introduction of the oil tax, which was not levied in 1953.

22. In general, there was a deterioration in all plants of the rate of yield in 1954 as compared with 1953 because the full effect of the wage increase was felt in 1954. The extraordinarily favorable rate of yield in the former SAG concerns may be attributed to better organization, better discipline and to better conditions for the workers. Furthermore, to production cost subsidies which were allocated despite the fact that it would have been possible to balance losses on certain production with profits on other items.

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F. Use of the Wage Fund (Lohnfond).

23. The Wage Fund, according to the approved Labor Plan (Arbeitskrafteplan), amounted to 2,868,700 TDM for 1954 after the reduction (Kuerzung) had been made. The Wage Fund for the first half of 1954 amounted to 1,313,113 TDM. Claims against the Fund for the same period were 1,285,792 TDM. Savings during the same period were 22,377.2 TDM. These break down as follows among the Main Administrations:

	Wage Fund	Savings to 30 June 1954
Steel Industry	431,824	68.8
Nonferrous Metals	272,608	1,925.9
Auxiliary Plants of the Metallurgical Industry	26,932	290.7
Lignite	543,688	5,189.8
Pit Coal	159,880	619.2
Electric Power	230,032	2,553.4
Gas	24,267	165.3
Heavy Chemistry	442,231	2,247.2
Liquid Fuel	202,004	1,049.0
General Chemistry	86,197	1,314.6
Synthetics	263,476	2,551.7
Potash and Nonmetalliferous Mining	153,700	1,621.8
Construction Offices	31,861	2,579.8
	<u>2,868,700</u>	<u>22,377.2</u> 0.8%

G. Analysis of the Balance (Bilanz-Analyse).

24. A check was maintained on the development of excessive unplanned inventories (Ueberplanbestaende) in the plants was done until 31 March 1954 by means of analytical inspection (Erhebung). According to a decision of the Presidium of the Council of Ministers No. 37/10 of 28 January 1954, this method used by the Ministry for Heavy Industry was recommended to all other ministries. Unfortunately, it has not been possible for the Ministry of Heavy Industry to proceed with this sort of concrete observation of the development of excessive unplanned inventories and the measures necessary for reducing them because the State Central Administration for Statistics prohibited this procedure in a memorandum dated 19 July 1954.

25. The excessive inventories were as follows:

	1 Jan 54 Inventory-TDM	Increase TDM	Decrease TDM	30 June 54 Inventory
Basic material	59,573		28,155	31,418
Heating and vehicle fuel	1,766		90	1,676
Supplementary material	19,739		3,002	16,737
Low-value and rapidly deteriorating material	3,324		346	2,978
Parts for specific purposes, reserves for emergencies, etc.	3,191	2,482		5,673

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	1 Jan 54 Inventory-TDM	Increase TDM	Decrease TDM	30 June 54 Inventory
Packing material	-	15		15
Essigalestes material (Vorabraum)	5,769	651		6,420
Unfinished products	5,887	8,759		14,646
Finished products	21,591		6,283	15,308
TOTAL	120,840	11,907	37,876	94,871

26. As compared with 1 January 1954, unplanned excessive inventories were reduced by 25,969 TDM. There was an actual unbalanced (Unsaldoiert) cutting down in basic materials, heating and vehicle fuels, supplementary materials, low grade and rapidly deteriorating materials, and finished products amounting to 37,876 TDM. There was an increase in parts for specific purposes and reserves of emergency equipment, packing material, Vorabraum and unfinished products amounting to 11,907 TDM.

27. **Financing the Unplanned Inventories:** The following means of financing unplanned excessive inventories were applied:

Credit over and above the plan	10,567.9 TDM
Special credits	13,635.6 TDM
Seasonal credits	2,539.0 TDM
Credit from <u>budget</u> funds	1,446.0 TDM

In the meantime further applications for the provision of special credits for financing unplanned excessive inventories have been submitted. Unplanned excessive inventories not financed in the regular way are financed by not paying bills for materials delivered on the date due and by overdue credits. In a directive dated 29 April 1954, the plants were advised by the Ministry to begin the reduction of the excess inventories and prevent any new collection of such inventories.

28. On 1 January 1954, there were unplanned excessive inventories in the field of trade in the amount of 50,513 TDM; on 30 June 1954, on the other hand, they amounted to 46,973 TDM. Thus, the unplanned excessive inventories in the field of trade were reduced by 3,540 TDM, or 7%, in the first half of 1954. The following DHZ's had the indicated shares in these unplanned excessive inventories:

DHZ Haushaltchemie	29,708 TDM
DHZ Gummi, Asbest und Kunststoffe	5,952 TDM
DHZ Metallurgie	5,435 TDM

a. The unplanned excessive inventories in DHZ Haushaltchemie arose in the following groups of products:

Soap	14,937 TDM
Candles	10,475 TDM
Cosmetics	4,296 TDM

(1) The unplanned excessive inventory of soap resulted from the fact that production capacity and actual production were too large with respect to demand. Thus, the planned turnover of 24.4%, or 10,382 TDM, in the first half of 1954 was not fulfilled. **Unsold** soap was to be exported in the third quarter of 1954 for 16,000 TDM.

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- (2) Candle production was also too large with respect to the demand. The turnover plan for candles was underfulfilled in the first half of 1954 by 3.9%, or 1,917 TDM. However, the increase (Zugang) was overfulfilled by 14.8%, or 6,516 TDM. It was expected that about 6,000 TDM worth of candles would be exported in the third and fourth quarters of 1954.
- (3) The turnover plan for cosmetics was underfulfilled by 8.4%, or 1,833 TDM. Planned increase (Zugang) was overfulfilled by 18.3%, or 3,440 TDM. In this group of commodities there were some items on hand which were hard to sell either because there was no demand or because the demand had changed. The turnover plan was not fulfilled because of the delivery and payment conditions of DHZ Haushaltchemie, which were actually less satisfactory than those of private wholesalers. Negotiations aimed at changing these conditions were in process, however.

b. Unplanned excessive inventories in DHZ Gummi, Asbest und Kunststoffe developed in the following groups of products:

Protective work clothing	4,471 TDM
Natural rubber	998 TDM
Sheets of gasket material	483 TDM

- (1) The unplanned excessive inventory in the category of protective work clothing developed because scheduled receivers did not call for their allocations. The unclaimed items were chiefly winter clothing items which had not yet been picked up from the producing plants. DHZ Gummi, Asbest und Kunststoffe was negotiating with the allocation holders to call for these items during the third quarter of 1954.
- (2) The unplanned excessive inventory in natural rubber collected because of import deliveries received before they were due to arrive; these were to be disposed of during the third and fourth quarters of 1954.
- (3) The production of sheets of gasket material (high-pressure packing sheets - Itplatten) was too high as compared with existing demand, thus creating an unplanned excessive inventory. This situation will be taken into account in making up the production plan for 1955, so that the unplanned excessive inventory can be reduced in the first quarter of that year.

c. The unplanned excessive inventories in DHZ Metallurgie resulted from import deliveries ahead of the scheduled delivery dates; this material was to be sold during the third and fourth quarters of 1954.

1/ Comment. Presumably a reference to the so-called New Course.

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2/ Comment: The original German sentence reads as follows: Auf die Hauptverwaltungen des Ministeriums fuer Schwerindustrie aufgeteilt betraegt die Inanspruchnahme:

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3/ Comment: The original German reads as follows: Der Rentabilitaets-Satz, ermittelt unter Zugrundelegung des Ergebnisses zum Umsatz, betraegt im 1. Halbjahr 1954 fuer die Industriebetriebe des Ministeriums einschliesslich der ehemaligen SAG-Betriebe 4.84%.

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COUNTRY East Germany

SUBJECT Economic Report of
for Heavy IndustryPLACE
ACQUIREDDATE OF
INFO

DATE

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SUPPLEMENT TO

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A. Introduction.

1. A total of 392 enterprises were covered for the first half of 1954; they were categorized as follows:

a. Industrial plants:

Type of Industry	Main Administration	Number of Plants	Total No.	
Power	Electric Power	75	85	
	Gas	10		
Coal	Lignite	61	69	
	Pit Coal	8		
	Steel Industry	35		
Metallurgy	Nonferrous Metals Industry	18	67	
	Enterprises Producing Auxiliary Material for the Metallurgical Industry	14		
	General Chemistry	36		153
	Artificial Fiber	36		
Heavy Chemistry	39			

Geological
Commission

T
Total No. in Industry

3

377

b. Construction Plants:

Projektierungs-, Konstruktions- und Montagebuero, Leipzig C 1.
Projektierungs und Konstruktionsbuero Kohle, Berlin C
Konstruktions- und Ingenieurbuero, Leipzig C
Energieprojektierung, Berlin W 8.
Zentrales Konstruktionsbuero der metallurgischen Industrie, Berlin C 2

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ARMY	EX-AIR	EX-FBI			

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c. Trade agencies:

DHZ Metallurgie
 DHZ Kohle
 DHZ Chemie
 DHZ Haushaltchemie
 DHZ Gummi, Asbest und Kunststoffe
 DHZ Kraftstoffe und Mineraloel
 VHZ Schrott
 VNL Salze, Fluss- und Schwerspat
 VEB Industrie-Rueckstaende
 VEB Kraftstoff-Vertrieb

Total number of units rendering independent accountings: 392

2. [REDACTED]
3. [REDACTED] financial plan was not entered in the [REDACTED] because the financial plan of the Ministry [REDACTED] approved by the Presidium of the Council of Ministers until 15 July 1954, being delayed while account was being taken of the effect of the new economic tasks. 1
4. According to a [REDACTED] Ministers of 8 July 1954, the East German Ministry [REDACTED] approve the new financial plan for the plants by [REDACTED] [REDACTED] [REDACTED] date, but by the time the deadline date had arrived, [REDACTED] of all the plants had been submitted, and consequently [REDACTED] to include the new financial plan figures in the accounting for the first half year.

B. Warenproduktion (production for sale) fulfillment.

5. Nationalized Industrial Plants (VEB's).

- a. Planned Warenproduktion in 1954 at the planned sales prices amounted to 8,147,711 thousand DME.
- b. Fulfillment as of 30 June 1954 amounted to 3,959,643 thousand DME.
- c. Accordingly, plan fulfillment amounted to 48.6 percent of the plan.
- d. Fulfillment in the various Main Administrations of the Ministry for Heavy Industry was as follows:

Kignite	48.8 percent
Pit coal	51.5 percent
Electric power	47.2 percent
Gas	47.1 percent
Steel industry	46.4 percent
Nonferrous metals	55.4 percent
Metals	[REDACTED]

[REDACTED] percent
 [REDACTED] industry 47.7 percent

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49.2 percent
49.6 percent
49.3 percent
9 percent
4 percent

6. For [REDACTED] at the planned sales prices amounted
- a. [REDACTED]
- b. Fulfillment as of 30 June 1954 amounted to 1,326,805 DME.
- c. Accordingly, plan fulfillment amounted to 50 percent of the plan.
- d. Fulfillment in the various Main Administrations of the Ministry for Heavy Industry was as follows:

Steel industry	49.3 percent
Nonferrous metals	47.8 percent
Heavy chemistry	51.3 percent
[REDACTED]	48.4 percent
[REDACTED]	50.0 percent

Thus [REDACTED] planned sales prices for the industry for Heavy Industry, including former SAG plants, amounted to 48.9 percent.

7. Trade agencies.

- a. According to the plan, the turnover at sales prices should have amounted to 4,895,578 thousand DME.
- b. As of 30 June 1954, the actual turnover amounted to 2,424,145.2 thousand DME.
- c. Thus, plan fulfillment was 49.5 percent.
- c. Fulfillment of the plan in terms of the end-result (Erfuellung des Ergebnisplanes).
8. Balancing of the plan figures.

a. Profits:

Gross profits of former SAG plants: 548,602 thousand DME

Gross profits of trade agencies in terms of end-results: 120,729.2 thousand DME

Sub-total 1,878,141.2 thousand DME

Insufficient quotas: (zu geringe Beauftragung):

Trade agencies: Increase in profit based on the decision of 15 July 1954:

360,360 thousand DME

Industry: Increase in profit based on the decision of 15 July 1954:

48,662.4 thousand DME

Total, Gross Profit:

1,927,163.6 thousand DME

Industry: Corporation tax

1,119,774.3 thousand DME

Net profit

619,235.2 thousand DME

Deduction from profits for the Director Fund

67,064.9 thousand DME

Sub-total

1,806,074.4 thousand DME

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Trade agencies: Corporation tax	76,326.2 thousand DME
Net profit payment (Nettogewinnabfuhrung)	41,096 thousand DME
Deduction from profits for the Director Fund)	3,667 thousand DME
Total, Gross Profit, as above	1,927,163.6 thousand DME

b. Supports (Stützungen).

Industry: Loss in terms of the end-result accounting	995,907.8 TDM
Supports from the Director Fund	44,193.2 TDM
Sub-total	1,040,101 TDM
Trade agencies: Planned support for losses	28,305.7 TDM
Planned supports from the Director Fund	1,621.2 TDM
[REDACTED]	[REDACTED]
Supports for scrap bonuses	8,250 TDM
Sub-total	1,110,377.9 TDM
Industry: Supports not yet distributed	1,298.3 TDM
Trade agencies: Blocked supports	724.7 TDM
Total supports claimed	1,112,400.9 TDM

[REDACTED]	1,112,400.9 TDM
------------	-----------------

Geological [REDACTED]

Trade agencies: Supports according to memorandum of the Ministry of Finance of 25 June 1954	71,001.8 TDM
---	--------------

Total supports claimed, as above	1,112,400.9 TDM
----------------------------------	-----------------

D. Fulfillment [REDACTED]

9. Nationalized Industrial Plants (VEB's).

- a. Gross profit in accordance with the approved
plant plans amounted to: 1,208,810 TDM
- b. Profit up to 30 June 1954 amounted to: 518,811.2 TDM
- c. Thus, fulfillment amounted to 42.9 percent.
- d. Among the Main Administrations of the Ministry for Heavy Industry,
the fulfillment was as follows:

Lignite	34.1 percent
Electric power	32.4 percent
Gas	65.0 percent
Steel industry	45.8 percent
Nonferrous metal	42.9 percent

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Metallurgical industry	42.1 percent
auxiliary plants	
Heavy chemistry	45.0 percent
	42.8 percent
	46.0 percent
Construction plants	40.5 percent
Geological Commission	57.5 percent

10. Former SAG plants.

- Planned gross profit in accordance with the approved plant plans amounted to 548,602 TDM.
- As of 30 June 1954, fulfillment amounted to 272,789.3 TDM.
- Thus, fulfillment amounts to 49.7 percent.
- Fulfillment in the Main Administrations of the Ministry for Heavy Industry was as follows:

Steel industry	56.1 percent
Nonferrous metals	55.7 percent
Heavy chemistry	52.2 percent
	4 percent
	8 percent

11. Trade Agencies.

- Gross profit according to the combined plant plans amounted to 120,729.2 TDM.
- Profit as of 30 June 1954 amounted to 59,373.5 TDM.
- Thus, fulfillment amounted to 49.2 percent.

12. Comprehensive accounting.

The profit plan of the Ministry for Heavy Industry was set up for the amount of 1,878,141.2 TDM, and the fulfillment of the plan as of 30 June 1954 thus amounted to 850,974 TDM, or 45.3 percent. Taking the plan figures approved by the Council of Ministers on 15 July 1954 as a basis, the fulfillment of the profit plan for the first half year was 44.3 percent.

- Enterprises under the following Main Administrations were unsatisfactory in their fulfillment of the profit plan:

M.A. Lignite
M.A. Electric power
M.A. Nonferrous metals
M.A. Auxiliary plants of the metallurgical industry
M.A. Liquid fuel - SAG

The unsatisfactory profit plan fulfillment in M.A. Lignite to be attributed to the increased expenses which arose during the period, when the [redacted] 3,320,000 TDM. [redacted] the following:

- BKW Grosskayna did not fulfill its production quota; it was fulfilled by only 94.5%. It was also hindered by a shortage of E-locomotives and by the fact that E-locomotives were tied up in the traffic of the individual mines.

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b. [REDACTED] its plan [REDACTED] conveyor bridge and difficulties with the furnace gas [REDACTED] investments and the moving of large equipment contributed to the nonfulfillment of the [REDACTED] plan.

c. [REDACTED] factory was not finished [REDACTED] (Foerderkonie) plan, as [REDACTED] did not [REDACTED] by BKW's [REDACTED] up by the [REDACTED]

14. Satisfactory plan fulfillment in the Main Administration of Electric [REDACTED]

fulfilled as follows:

- 40.3 percent at ZW [REDACTED] |
- 36.0 percent at ZW [REDACTED]
- 25.0 percent at ZW [REDACTED] skayna
- 41.0 percent at ZW [REDACTED] Liebkecht
- 38.0 percent at ZW Magdeburg
- 40.8 percent at ZW Dresden
- 33.2 percent at ZW Plessa

Further contributions to the poor results obtained were occasioned by the following:

- a. There was a considerable reduction [REDACTED] (Leistungsanspruchnahme) by [REDACTED] effect [REDACTED]
- b. There was [REDACTED] customer [REDACTED] the 195 [REDACTED]

15. The failure to obtain the planned profit in the Main Administration of Nonferrous Metals is to be attributed to [REDACTED]

- a. In the [REDACTED] insurance [REDACTED] plant did not receive enough orders.
- b. In the Berliner Metallhuetten- und Halbzeugwerke, the quotas for individual products (Einzelproduktion) were not fulfilled, there were difficulties in the production of Babbitt bearings, and not enough raw material was delivered.

16. In the Main Administration of Auxiliary Enterprises of the Metallurgical Industry, failure to fulfill the profit plan was due to the loss at Magnesitwerk Aker. This plant was to make a profit of 764 TDM, but up until 30 June 1954 it showed a loss of 1,220.1 TDM instead. This loss could not be made up by overfulfillment in the other plants under the profit plan. The causes of the loss at that plant were as follows:

- a. A delay in getting the brick-factory (Steinfabrik) into operation, resulting in a loss in production of about 5,600 metric tons of magnesite bricks (Magnesitsteine). The loss in profit amounted to [REDACTED]

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633.0

b. Frequency of use of rotating-table press in the book factory.
on (Umstellung) the

ion (Umstellung)

of August

loff

is to be

~~production of chrome-magnesium bricks.~~

[illegible]

M.A. Lignite	61.0%
M.A. Pit coal	46.5%
M.A. Electric Power	69.6%
M.A. Gas	56.7%
M.A. Steel Industry	51.8%
M.A. Nonferrous Metals	50.0%
M.A. Auxiliary Plants of the Steel Industry	167.6%

Quartzite	44.3%
Granite	35.5%
Basalt	51.5%
Metamorphic	48.8%
Volcanic	50.3%

Stahlwerke Silbitz	498,000 TDM
Stahlgiesserei Karl-Marx-Stadt	323,000 TDM

18. Comprehensive accounting. Supports made available to the Ministry for Heavy Industry for 1954 amounted to 1,112,400.9 TDM. Up to 30 June 1954, 581,768.4 TDM of this amount had been claimed, or 52.3%.

M.A. Lignite
M.A. Electric Power
M.A. Steel Industry
M.A. Auxiliary Plants of the Steel Industry

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a. BKW Phoenix, due to heavy damage [redacted] and the failure to rebuild steam shovel (Bagger) 51 [redacted] date which had been set. [redacted] as hindered by the long, heavy rains and [redacted] flood disaster. b.

... setting (Umsetzung) a bucket

but were to be made by the end of 1974.

b. BKW Voelpke had a [redacted] of 340.1 TDM due to mining underfulfillment.

6. BKW Voelpke had a loss of 1,737.6 TDM due to unforeseen geological conditions.

mining; the open-pit mining was to be closed down.

seable only to a limited extent.

• BKW John Schehr had a loss of 1,923.5 TDM, including an underfulfillment in raw coal (Rohkohle) in the amount of 547,417 metric tons and in briquettes in the amount of 154,568 metric tons. Underfulfillment was due to delay in putting new machinery into operation in pits and briquette factories. Also, expense was incurred through extending the rail lines in the Skawogate pit mine instead of putting a new conveyor bridge (Förderbrücke) into operation.

f. The [redacted] can not [redacted] the second half year, but that at the [redacted] can not.

(2) a deviation from the Mosler Plan ton of crude iron,

(2) Other cases [REDACTED] the loss were the delay in putting Furnace #11

not begin until 3 August 1954. The bad quality of the agglomerates and the insufficient deliveries of manganese ore likewise contributed to the increase of unplanned losses.

g. Unplanned losses in the Auxiliary Plants of the Steel Industry amounted to about 2,000 TDM; they were due to underfulfillment in the plants with planned losses, as follows:

Tonwerke Brandis; only 33.0% of the 1954 plan was produced.
Schamottewerk Wetzlar; only 43.2% of the 1954 plan was produced.

Also, the Magnesitwerk [redacted] had a profit plan, closed its books on 30 June [redacted] TDM. The reasons for this were given above (Paragraph 16). 3931

The yield, based on turnover, was as follows in the various Main

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	1953	1st half 1954
Lignite	- 1.83	- 8.2
Pit coal	- 56.2	- 72.2
Electric power	+ 9.8	+ 7.6
Gas	-	- 8.1
Steel Industry VEB's	- 45.3	- 48.7
SAG's	+ 6.7	+ 6.26
Nonferrous Metals VEB's	- 31.8	- 34.5
SAG's	+ 16.1	+ 14.15
Auxiliary Plants of the Metallurgical Industry	-	- 5.0
Heavy Chemistry VEB's	+ 15.4	+ 14.6
SAG's	+ 18.6	+ 21.6
Liquid Fuels VEB's	+ 22.9	+ 20.0
SAG's	+ 23.3	+ 17.7
	+ 23.5	+ 25.3
	+ 23.3	+ 22.5
		+ 29.3
		+ 8.7
		- 0.8
Construction Plants	+ 6	+ 3.9
VEB's	+ 5.5	- 0.15
SAG's	+ 20.0	+ 20.5
Total for	7.6	+ 4.84

21.

M.A. Lignite; expenses resulting from the deterioration of geological conditions and increased production in plants which have a high overhead (Hochstammung); supplementary wages.

M.A. Pit Coal; considerable deterioration of geological conditions, which

M.A. Electric Power; in use of current from areas using Western currency. A decrease in production (losses), stoppages

production of products with high production expenses; failure to make use of productive capacity because of failures in raw material (Vormaterial) deliveries; failure to make use of productive capacity because of failures in raw material (Vormaterial) deliveries; turnover in Bergbau-Kombinat Wilhelm Pieck, which was reorganized (Umbildung).

f. M.A. Lignite; the introduction of the oil tax, which was levied.

22.

was felt in 1954. The extraordinarily favorable rate of yield in the former SAG concerns may be attributed to better organization, better discipline and to better conditions for the workers. Furthermore, to production cost subsidies which were allocated despite the fact that it would have been possible to balance losses on certain production with profits on other items.

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P. Use of the Wage Fund (Lohnfond).

23. The Wage Fund, according to the approved Labor Plan (Arbeitsplan), amounted to 2,868,700 TDM for 1954, after the reduction (Kürzung) had been made. The Wage Fund for the first half of 1954 amounted to 1,313,113 TDM. Claims against the Fund for the same period were 1,285,792 TDM. Savings during the same period were 22,377.2 TDM. These break down as follows among the Main Administrations:

	Wage Fund	Savings to 30 June 1954
Steel Industry	431,824	68.8
Nonferrous Metals	272,608	1,925.9
Auxiliary Plants of the Metallurgical Industry	26,932	290.7
Lignite	543,688	5,189.8
Pit Coal	159,880	619.2
Electric Power	230,032	2,553.4
Gas	24,267	165.3
Heavy Chemistry	442,231	2,247.2
Liquid Fuel	202,004	1,049.0
		1,314.6
		2,551.7
		1,621.8
Construction Offices	51,861	2,579.8
	2,868,700	22,377.2 0.8%

G. Analysis of the Balance (Bilanz-Analyse).

24. A check was maintained on the development of excessive unplanned inventories (Überplanbestände) in the plants was done until 31 March 1954 by means of analytical inspection (Erhebung). According to a decision of the

observation of the develop

25. Excessive inventories were as follows:

	1 Jan 54 Inventory-TDM	Increase TDM	Decrease TDM	30 June 54 Inventory
Basic material	59,573		28,155	31,418
Heating and vehicle fuel	1,766		90	1,676
Supplementary material	19,739		3,002	16,737
Low-value and rapidly deteriorating material	3,324		346	2,978
Parts for specific purposes, reserves for emergencies, etc.	3,191	2,482		5,673

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	1 Jan 54 Inventory-TDM	Increase TDM	Decrease TDM	30 June 54 Inventory
Packing material	-	15		15
Freigelegtes material (Vorabraum)	5,769	651		6,420
Unfinished products	5,887	8,759		14,646
Finished products	21,591		6,283	15,308
TOTAL	120,840	11,907	37,876	94,871

26. As compared with 1 January 1954, unplanned excessive inventories were reduced by 25,069 TDM. There was an actual unbalanced (Unsalidiert) cutting of materials, heating and vehicle fuels, supplementary materials, rapidly deteriorating materials, and finished products amounting to specific purposes.

Credit over and above the plan 10,567.9 TDM
 Special credits 13,635.6 TDM
 Seasonal 2,539.0 TDM

not financed in the regular way are financed by materials delivered on the date due and by overdue credits. April 1954, the plants were advised by the Ministry

On 30 June 1954, on the other hand, they amounted to 46,973 TDM. Thus, the unplanned excessive inventories in the field of trade were reduced by 3,540 TDM, or 7%, in the first half of 1954. The following DHZ's had the indicated shares in these unplanned excessive inventories:

DHZ Haushaltchemie	29,708 TDM
DHZ Gummi, Asbest und Kunststoffe	5,952 TDM
DHZ Metallurgie	5,435 TDM

a. The unplanned excessive inventories in DHZ Haushaltchemie arose in the following groups of products:

Soap	14,937 TDM
Candles	10,475 TDM
Cosmetics	4,296 TDM

(1) The unplanned excessive inventory of soap resulted from the fact that production capacity and actual production were too large with regard to demand. Thus, the planned turnover of the first half of 1954 was not fulfilled. In the third quarter of 1954, for 16,000 TDM.

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- (2) Candle production was also too large with respect to the demand. The turnover plan for candles was underfulfilled in the first half of 1954 by 3.9%, or 1,917 TDM. However, the increase (Zugang) was overfulfilled by 14.8%, or 6,516 TDM. It was expected that about 6,000 TDM worth of candles would be exported in the third and fourth quarters of 1954.
- (3) The turnover plan for cosmetics was underfulfilled by 8.4%, or [redacted] (Zugang) was overfulfilled by 18.3%.

Has [redacted] usually less satisfactory than those
of [redacted] at changing these
co [redacted]

rubber 998 TDM
Sheets of gasket material 483 TDM

- (1) The unplanned [redacted] clothing [redacted] allocation [redacted] unclaimed [redacted] items which had not [redacted] from the producing plants. DHZ Gummi, Asbest und Kunststoffe was negotiating with the allocation holders to call for these items during the third quarter of 1954.
- (2) The unplanned excessive inventory in natural rubber [redacted] collected [redacted] of import deliveries received before they were [redacted] were to be disposed of during the third and fourth quarters of 1954.
- (3) The production of sheets of gasket material (high-pressure packing [redacted] too high as compared with existing demand, [redacted] unplanned excessive inventory. This [redacted] will [redacted] into account in making up [redacted] the unplanned excessive inventory [redacted] can be reduced in the first quarter of that year.

c. The unplanned excessive inventories in DHZ Metallurgie resulted from import deliveries ahead of the scheduled delivery dates; this material was to be sold during the third and fourth quarters of 1954.

2/ [redacted] Comment: The original German sentence reads as follows: Auf die Hauptverwaltungen des Ministeriums fuer Schwerindustrie aufgeteilt betraegt die Inanspruchnahme:

3/ [redacted] Comment: The original German reads as follows: Der Rentabilitaets-Satz, ermittelt unter Zugrundelegung des Ergebnisses zum Umsatz, betraegt im 1. Halbjahr 1954 fuer die Industriebetriebe des Ministeriums einschliesslich der ehemaligen SAG-Betriebe 4,34%.

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